

complaint

Mr Y says MCE Insurance Limited told him he didn't have to pay any more for his motorcycle insurance policy after he made a total loss claim. He says MCE is now acting unfairly by chasing him for the remaining monthly payments.

background

I've attached a copy of my provisional decision, which sets out the background to Mr Y's complaint in full and forms part of this final decision.

In my provisional decision, I set out why I intended to uphold Mr Y's complaint in part. In summary, I thought it was fair for Mr Y to pay the outstanding premium as he had the benefit of the policy by making a total loss claim. But I also thought MCE caused Mr Y distress and inconvenience by giving him incorrect information. And by not telling him about the amount he owed at the time it settled his claim. I also thought the unnecessary involvement of a debt recovery agent and the additional charges increased the distress and inconvenience MCE caused Mr Y.

Overall, I thought MCE should pay Mr Y £150 for the distress and inconvenience caused. I also thought it should write off the charges applied to the outstanding amount Mr Y owed and make sure Mr Y's credit rating hasn't been affected

In response, MCE agreed to remove the charges applied following the referral to the debt recovery agency and to ensure this doesn't have a negative effect on Mr Y's credit rating. But it says the original award of £100 compensation is fair and asked for this part of my decision to be revisited.

Mr Y didn't respond to my provisional decision.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has provided any more information or evidence for me to consider, I see no reason to depart from my provisional findings. So I've decided to uphold Mr Y's complaint in part for the same reasons as set out in my provisional decision.

Mr Y should contact MCE directly to arrange affordable repayment of the outstanding premium he owes.

I note MCE's comments and understand it feels the original award of £100 compensation is fair. But this doesn't take into account the distress and inconvenience caused by involving a debt recovery agent unnecessarily – or by increasing what Mr Y owed by adding charges. I don't think it was fair to do so, given Mr Y disputed the amount MCE said he owed from the start. I think this increased the trouble and upset MCE caused Mr Y. And so, overall, I still think £150 is fair compensation.

my final decision

For the reasons above and as set out in my provisional decision, I uphold Mr Y's complaint in part. MCE Insurance Limited must:

- (A) pay Mr Y £150 for the distress and inconvenience caused (this should be paid directly to Mr Y and not used to reduce the amount he owes MCE);
- (B) write off any charges that have been applied to the outstanding amount owed so that Mr Y only has to pay £729.40;
- (C) make sure Mr Y's credit rating hasn't been affected by this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 21 September 2015.

Joanna Brown
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr Y says MCE Insurance Limited told him he didn't have to pay any more for his motorcycle insurance policy after he made a total loss claim. He says MCE is now acting unfairly by chasing him for the remaining monthly payments.

background

In 2013 Mr Y bought a motorcycle insurance policy from MCE over the internet. He made monthly payments for the policy by direct debit.

In 2014 Mr Y claimed on his policy when his motorcycle was stolen. The bike wasn't recovered. MCE settled the claim. Mr Y then cancelled his direct debit with his bank. But MCE still tried to collect the next monthly payment.

Mr Y says he called MCE to query why it tried to take this payment. He says the adviser told him he didn't have to pay any more direct debits and asked him to send a copy of his settlement letter to stop this from happening again. He sent the letter by email. He says he spoke to another adviser a week later and was told the same thing.

MCE then told Mr Y the information he'd been given was wrong and he had to pay the remaining monthly payments in full. Mr Y questioned why MCE didn't deduct the amount from his settlement figure. He believes he doesn't owe MCE any money.

Our adjudicator upheld the complaint in part. She thought it was fair for Mr Y to pay the outstanding premium to MCE. But she also thought MCE should pay Mr Y £100 for the distress and inconvenience caused by the incorrect information it gave him.

MCE agreed to pay £100. But Mr Y says he shouldn't have to pay the outstanding premium.

my provisional findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I've decided to uphold the complaint in part for largely the same reasons as our adjudicator. But I'm making a change to what MCE should do to put things right.

When MCE settled Mr Y's claim, it sent him a letter setting out the amount it was paying him. The letter said: *'This payment is in full and final settlement of all claims and costs.'* I can see why Mr Y might have thought he didn't owe anything further at this point - especially as the terms and conditions say any outstanding premium would be taken off the total loss settlement. But MCE didn't deduct the amount from his settlement figure in this case.

The online policy terms and conditions say: *'Refunds are not normally given if there has been an accident and/or a claim within the period of insurance. In addition to the cancellation charge, if you are paying for your policy by way of MCE Premium Finance*** and have not paid all your instalments there will be a balance outstanding to MCE Premium Finance***.'*

Mr Y had the benefit of the insurance policy and made a total loss claim. So I think it's fair for him to pay the outstanding premium for the policy. This is in line with the terms and conditions – and what we would generally consider to be fair.

MCE didn't advise Mr Y of the outstanding balance when it settled his claim, as I think it should have done. This would have made the situation clear from the start. And I think it's most likely MCE

incorrectly told him he didn't owe anything further when he called, as Mr Y says. I say this because he sent an email to the adviser shortly after the call to confirm this. So I agree MCE should pay Mr Y £100 for the distress and inconvenience caused.

MCE's terms and conditions say: '*...additional charges will be incurred if the outstanding balance becomes collectable under MCE's Debt Management Program. If the debt remains unpaid, we reserve the right to instruct debt recovery agents to pursue on our behalf.*

But it was clear from the outset that Mr Y was disputing the amount MCE said he owed. So I don't think it was fair to involve a debt recovery agent in this case. And I don't think it's fair for Mr Y to pay any fees or charges that were added to the original amount of £729.40 he owed. So MCE should make sure these are taken off. It should also make sure Mr Y's credit rating hasn't been affected and confirm this to Mr Y.

I think the unnecessary involvement of the debt recovery agent and additional charges increased the trouble and upset MCE caused Mr Y during this matter. So I also think the overall award for distress and inconvenience should be increased to £150.

my provisional decision

I intend to uphold this complaint in part for the reasons described above. Mr Y should pay MCE the outstanding premiums for his policy, totalling £729.40. And MCE should:

- pay Mr Y £150 for the distress and inconvenience caused (this should be paid directly to Mr Y and not used to reduce the amount he owes);
- write off any charges that have been applied to the outstanding amount owed so that Mr Y only has to pay £729.40;
- make sure Mr Y's credit rating hasn't been affected by this matter.

Both parties are invited to respond to this decision. I will then review the whole file before issuing a final decision.

Joanna Brown
ombudsman